

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 08/06/2012
POSITION: Oppose
SPONSOR: San Francisco Port Commission

BILL NUMBER: AB 2259
AUTHOR: Ammiano, Tom

BILL SUMMARY: Infrastructure financing districts: America's Cup and waterfront district venues.

Existing law authorizes the City and County of San Francisco to create an infrastructure financing district (IFD) that includes specified waterfront property on land that is under the jurisdiction of the Port of San Francisco (Port).

This bill would modify the existing procedures for adopting an infrastructure financing plan for the IFD in the waterfront area known as the America's Cup District.

FISCAL SUMMARY

This bill would provide for an increase in the \$1 million cap of the county ERAF portion of incremental tax revenues committed to a district to include an adjustment each fiscal year, after the 2011-12 fiscal year, by the amount of any percentage increase in the assessed value of the taxable property. This provision, assuming an average three percent increase in the assessed value of the properties, could result in an additional \$45 million state General Fund expenditure over the 45 year amortization of the bond financing because of the state's obligations under Proposition 98.

The scope of the America's Cup activities has been reduced by the organizers of the race. The Port of San Francisco now estimates the state General Fund revenue accruing to the state in 2013 to be \$48.7 million instead of the \$61 million estimated in 2011.

COMMENTS

Finance is opposed to this bill because it could result in significant General Fund costs arising from the state's obligations under Proposition 98.

Analyst/Principal (0762) C.Hill	Date	Program Budget Manager Kristin Shelton	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

Ammiano, Tom

08/06/2012

AB 2259

ANALYSIS

1. Programmatic Analysis

Current law provides for an Educational Revenue Augmentation Fund (ERAF) in each county.

Redirected property tax allocations from cities, counties, and special districts are paid into these ERAFs for further disbursement to school districts. These shifts reduce the state's General Fund obligations to fund education by an amount equal to the redirected funds.

Chapter 664, Statutes of 2010 (AB 1199, Ammiano) enacted modified procedures for adopting an infrastructure financing plan for the Pier 70 IFD and for issuing bonds financed by projected increases in property taxes. That bill specified that the Pier 70 IFD need not make payments to the county ERAF.

Chapter 314, Statutes of 2011 (AB 664, Ammiano) established the "Port America's Cup District", a waterfront IFD that includes the waterfront area in the City and County of San Francisco designated as America's Cup venues, excluding the Rincon Point-South Beach Redevelopment Project Area.

Under current law:

- Sections of San Francisco's waterfront and adjacent trust properties are declared blighted and therefore require the use of public financing. Per existing law, the IFD's authority is limited only to publicly owned property, although an opt-in provision is included for private property owners.
- The San Francisco waterfront IFD is permitted to receive property tax increment revenue for 45 years, as opposed to the standard 30 years.
- The San Francisco IFD's plan is required to include specified descriptive and financial information and a set aside of at least 20 percent of its property tax increment revenue to be spent for shoreline restoration, removal of bay fill, or waterfront public access, or environmental remediation.
- The San Francisco Board of Supervisors is prohibited from diverting property tax increment revenues from another taxing jurisdiction without that jurisdiction's approval unless the taxing jurisdiction fails to respond within 60 days.
- For the purposes of the San Francisco IFD, the activities whose costs are eligible to be covered by an IFD are:
 - Seismic and lifesafety improvements.
 - Environmental remediation work.
 - Landmark rehabilitation.
 - Structural work on piers, seawalls, and wharves.
 - Hazardous material remediation.
 - Construction of storm water management facilities, other utility infrastructure, and public access improvements.

Ammiano, Tom

08/06/2012

AB 2259

ANALYSIS (continued)

- The America's Cup IFD ERAF share is defined as that portion of the property tax revenue redirected from the City and County to the America's Cup IFD. That share may not exceed \$1 million annually from 2014 through 2059, and may only be used to finance the following:
 - Construction of the Port of San Francisco's cruise terminal project at Pier 27.
 - Planning and design work that is directly related to the Port's Pier 27 cruise terminal project.
 - Planning, design, and construction of improvements to publicly owned waterfront lands held by trustee agencies, such as the National Park Service and the California State Parks, and used as public spectator viewing sites for America's Cup-related events.
- An America's Cup IFD financing plan must provide that the proceeds of ERAF secured debt are restricted for use to finance directly, reimburse the Port for its costs related to, or refinance other debt incurred, in the construction of the Port's cruise terminal project.
- Twenty percent of the America's Cup ERAF share allocated to the Port shall be set aside to finance costs of improvements to federally or state owned waterfront lands approved by trustee agencies for the purpose of public spectator viewing sites for America's Cup-related events.
- Requires the San Francisco Board of Supervisors (Board), before any debt can be issued for the America's Cup District, to submit a fiscal analysis to the I-Bank for review and approval, and authorize the I-Bank to circulate the fiscal analysis to other state agencies, including, but not limited to, the Department of Finance, the Department of Housing and Community Development, and the Governor's Office of Planning and Research, and solicit their comments and recommendations. I-Bank shall, within 90 days from receipt of the America's Cup IFD fiscal analysis, and after considering the comments and recommendations, take one of the following actions:
 - Approve the fiscal analysis if the I-Bank can make the finding that the economic activity proposed to occur as a result of hosting the America's Cup event would result in an amount of revenue to the General Fund with a net present value that is greater than the amount of property tax increment that would be diverted from ERAF over the term of the America's Cup District.
 - Return the fiscal analysis to the Board with specific recommendations for changes that would allow the I-Bank to approve the fiscal analysis.
- Waives procedures in current law for issuing IFD bonds that require obtaining 2/3-voter approval, and publishing notices before selling the bonds at a discount.
- Establishes the starting date for waterfront IFDs' bonds to the date on which the waterfront IFD received an aggregate of \$100,000 in property tax increment revenues, rather than the actual sale date of the bond.

This bill would modify the existing procedures for adopting an infrastructure financing plan for the IFD in the waterfront area known as the America's Cup District. Specifically, this bill would:

- Allow a waterfront IFD to finance improvements that may be publicly owned, to protect against potential sea level rise.

Ammiano, Tom

08/06/2012

AB 2259

ANALYSIS (continued)

- Allow the legislative body of a waterfront IFD to increase the principal amount of bonds that may be issued for a district or for a project within a district.
- Modify the requirements to be included in the IFD's infrastructure financing plan, to specify that in the event that San Francisco divides the IFD into project areas, the project areas can share the limitation on the aggregate number of tax dollars of levied taxes and the limit may be divided among the project areas, or allows a separate limit to be established for a project area.
- Revise the \$1 million cap of the county ERAF portion of incremental tax revenues committed to a district to include an adjustment each fiscal year, after the 2011-12 fiscal year, by the amount of any percentage increase in the assessed value of the taxable property in the district as shown upon the assessment roll used in connection with the taxation of the property.

2. Fiscal Analysis

This bill would provide for an increase in the \$1 million cap of the county ERAF portion of incremental tax revenues committed to a district to include an adjustment each fiscal year, after the 2011-12 fiscal year, by the amount of any percentage increase in the assessed value of the taxable property. This provision, assuming an average three percent increase in the assessed value of the properties, could result in an additional \$45 million state General Fund expenditure over the 45 year amortization of the bond financing because of the state's obligations under Proposition 98.

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					
	LA	(Dollars in Thousands)					
	CO	PROP					Fund
	RV	98	FC	2012-2013 FC	2013-2014 FC	2014-2015	Code
0001/Major Rev	SO	Yes		----- See Fiscal Analysis -----			0001